

## Message Text

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SUBJECT: UPI ARTICLE FOR AM PAPERS MARCH 7

1. UPI MARCH 1 DISTRIBUTED AN ARTICLE CONCERNING PANCANAL MORALE FOR PUBLICATION IN MORNING EDITIONS MARCH 7. THE DEPARTMENT IS MAKING THE TEXT OF THE ARTICLE AVAILABLE TO ADDRESSEES FOR THEIR INFORMATION. ADDRESSEES SHOULD NOT REPEAT NOT MAKE USE OF THIS ARTICLE PRIOR TO THE RELEASE DATE.

2. BEGIN TEXT:

BY MATTHEW T. KENNY

BALBOA HEIGHTS, CANAL ZONE (UPI) -- THE PANAMA CANAL IS AWASH WITH BIG TROUBLES TODAY AS THE UNITED STATES NEGOTIATES WHAT IS EXPECTED TO BE THE EVENTUAL TAKEOVER OF THE 51-MILE WATERWAY BY PANAMA.

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THE CANAL ITSELF IS IN THE RED BECAUSE OF A DROP-OFF IN SHIP TRANSITS WHICH IS BLAMED ON THE REOPENING OF THE SUEZ CANAL AND THE GENERAL WORLD RECESSION, AND PARTICULARLY THE RECESSION IN JAPAN.

IT LOST \$11 MILLION IN FISCAL 1974, \$8 MILLION IN FISCAL 1975, AND THE LOSSES MAY HIT \$14 MILLION FOR THE FISCAL YEAR ENDING IN JUNE, ACCORDING TO PRESENT OFFICIAL ESTIMATES.

THERE IS A MOOD OF ANGER, FRUSTRATION AND RESENTMENT AMONG THE 3,600 AMERICANS WHO LIVE AND WORK IN THE CANAL ZONE, A 10-MILE WIDE STRIP THAT CUTS ACROSS PANAMA FROM THE PACIFIC TO THE ATLANTIC.

THEY ARE TALKING ABOUT STAGING PROTEST SLOWDOWNS AND STRIKES AND EVEN OF FORCING THE CANAL TO SHUT DOWN. OF COURSE THEY DO NOT LIKE -- AND NEVER HAVE - THE IDEA OF "GIVING" THE CANAL TO PANAMA.

BUT MORE THAN THAT, THEY FEEL THEY THEMSELVES ARE BEING HAD BY THE STATE DEPARTMENT WHEN IT ASSURES THEM -- AS IT HAS REPEATEDLY -- THAT THEIR LEGITIMATE INTERESTS WILL BE PROTECTED IN THE NEGOTIATIONS WITH PANAMA.

SIMPLY PUT, THIS CORRESPONDENT HAS BEEN TOLD BY MANY ZONIANS THAT THEY BELIEVE THE STATE DEPARTMENT IS LYING TO THEM -- THAT IT IS MOVING, IN COORDINATION WITH THE ARMY DEPARTMENT, TO CREATE A CLIMATE OF DISCONTENT SO THEY WILL FIND IT MORE ATTRACTIVE TO QUIT OR GO INTO EARLY RETIREMENT.

THESE CHARGES ARE SCOFFED AT BY U.S. EMBASSY REPRESENTATIVES IN PANAMA WHO HAVE TOLD ZONIANS THAT "YOU CAN BE SURE THAT ANY TREATY WHICH FAILED TO PROVIDE FOR THE PROTECTION OF LEGITIMATE EMPLOYEE INTERESTS WOULD BE REJECTED BY THE SENATE."

U.S. ZONIANS--THERE ARE ALSO NEARLY 11,000 PANAMANIAN WHO WORK IN THE ZONE--WILL SOUND OFF BUT FEW ARE WILLING TO UNCLASSIFIED

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HAVE THEIR NAMES PUBLISHED. ONE WHO DID AND WHO IS ARTICULATE IS DOUGLAS C. SCHMIDT, AN ADMINISTRATIVE ASSISTANT IN THE MARINE BUREAU.

MORALE HAS HIT ABSOLUTELY ROCK BOTTOM," HE SAID. "IT HAS REACHED A REALLY DANGEROUS LEVEL. TO THE PEOPLE HERE WASHINGTON SEEMS TO BE SAYING: YOU'RE NOT WANTED HERE ANY MORE. PLEASE LEAVE.

HE ADDED: "WE ARE FEDERAL EMPLOYEES AND WE WISH TO BE TREATED LIKE FEDERAL EMPLOYEES WHO ARE WORKING OVERSEAS. WE DON'T WANT TO FEEL IGNORED."

IN TALKS WITH OTHER ZONIANS REFERENCES TO SECRETARY OF STATE HENRY A. KISSINGER, HIS CHIEF TREATY NEGOTIATOR, AMBASSADOR-AT-LARGE ELLSWORTH BUNKER, AND THE ASSISTANT SECRETARY OF THE ARMY, VICTOR V. VEYSEY, ARE GENERALLY EMBELLISHED WITH UNPRINTABLE EXPLETIVES. BUT THE MOOD HERE GOES FURTHER THAN THAT.

THERE IS OPEN TALK OF A POSSIBLE MASS WALKOUT THAT COULD CONCEIVABLY CRIPPLE THE HISTORIC WATERWAY AND, OF COURSE, THROW WORLD SHIPPING INTO TURMOIL.

THUS, WHAT NO ENEMY OF THE UNITED STATES HAS BEEN ABLE TO DO IN THE NEARLY 62 YEARS SINCE THE BIG DITCH WENT INTO OPERATION IN 1914 -- THAT IS, COMPLETELY CLOSE DOWN THE PANAMA CANAL -- MAY SOON BE ATTEMPTED BY DISGRUNTLED AMERICAN WORKERS -- IF YOU CAN BELIEVE WHAT IS BEING SAID HERE.

THE REPORT IS UNCONFIRMED, BUT SPECIAL MILITARY UNITS ARE SAID TO BE PREPARING TO OPERATE THE CANAL IS A MASSIVE U.S. CIVILIAN STRIKE COMES. BUT WHETHER THE MILITARY COULD ADEQUATELY HANDLE THE JOB FOR LONG IS APPARENTLY UNCERTAIN.

EVEN IF NO WALKOUT COMES, THE ATMOSPHERE OF DISCONTENT PREVAILING IN THIS AMERICAN ENCLAVE IS NOT LIKELY TO HELP THE CANAL TO RUN AT TOP EFFICIENCY.

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THE CANAL IS OPERATED BY THE PANAMA CANAL CO., A CORPORATE AGENCY OF THE U.S. GOVERNMENT, UNDER THE DIRECTION OF A BOARD OF DIRECTORS APPOINTED BY THE SECRETARY OF THE ARMY. THE ZONE IS ALWAYS GOVERNED BY AN ARMY GENERAL IN MUFTI. THE PRESENT GOVERNOR IS HAROLD R. PARFITT.

WHAT IS DISTURBING ZONIANS IS NOT THAT BELT-TIGHTENING MAY BE NEEDED IN THE CURRENT FINANCIAL CRISIS BUT THAT THE MEASURES ARE BEING PRESENTED AS PERMANENT RATHER THAN TEMPORARY.

"THAT'S THE HAND-WRITING ON THE WALL," SAID ONE OLD-TIMER FROM TEXAS. "THEY WANT TO FORCE US OUT IF THEY CAN'T FIRE US."

I'VE BEEN HERE 15 YEARS," SAID ONE HIGHLY AGITATED EX-NEW YORKER. "AFTER THEY GIVE ME THE ROYAL BUSINESS HERE AM I SUPPOSED TO GO BACK TO NEW YORK AND WAIT FOR THE

MUGGERS? I MEAN, JUST BECAUSE KISSINGER IS IN A RUSH TO HAND THE CANAL OVER ON A SILVER PLATTER? NOBODY SAID ANYTHING ABOUT GETTING THE BUM'S RUSH WHEN THEY BROUGHT ME DOWN HERE."

THERE HAS ALREADY BEEN A REDUCTION OF 518 EMPLOYEES IN RECENT MONTHS. MORE DISMISSLS ARE EXPECTED.

THE ARMY'S PROPOSED FISCAL MEASURES ARE SAID TO INCLUDE: IMPOSITION OF WAGE FREEZES THAT APPARENTLY WOULD NOT BE LIFTED AND WHICH WOULD AFFECT SOME 2,000 EMPLOYEES, THE ELIMINATION OF THE 15 PER CENT "TROPICAL DIFFERENTIAL" (WHICH U.S. CITIZENS ENJOY OVER AND ABOVE THEIR CIVIL SERVICE WAGES, AND THE POSSIBLE SHRINKING OF CURRENTLY GENEROUS VACATION BENEFITS (AS MUCH AS EIGHT WEEKS VACATION ANNUALLY). THERE ALSO WOULD BE FULL RACIAL INTEGRATION WITH BLACK PANAMANIAN RESIDENTS, IN SCHOOLS AND HOUSING.

OF THE APPROXIMATELY 2,000 EMPLOYEES WHO WOULD BE AFFECTED BY THE ECONOMIC WAGE FREEZE, ABOUT 600 ARE AMERICANS. COLLECTIVELY, THIS GROUP NOW EARN \$20 MILLION A YEAR, ACCORDING TO OFFICIAL FIGURES. NEXT OCTOBER THEY WOULD UNCLASSIFIED

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RECEIVE A FIVE PER CENT WAGE INCREASE, COLLECTIVELY TOTALLING \$1 MILLION IF THE FREEZE WERE NOT IMPOSED.

AND DEPENDING ON WHAT HAPPENS TO THE CANAL, THEY MAY NEVER GET ANOTHER WAGE INCREASE.

CANAL LABOR UNIONS ARE ASKING AFL-CIO PRESIDENT GEORGE MEANY TO INTERCEDE FOR THEM IN WASHINGTON ON THE WAGE ISSUE A HUGE MASS MEETING A WEEK AGO RAISED NEARLY \$5,000 IN DONATIONS TO UNDERWRITE COSTS OF SENDING A ZONE REPRESENTATIVE TO WASHINGTON.

ALFRED J. GRAHAM, CANAL ZONE LABOR LEADER, HAS APPARENTLY SUCCEEDED IN PERSUADING U.S. ZONIANS TO DELAY ANY "PROTEST ACTIONS" UNTIL MEANY STUDIES THE ISSUE AND UNTIL VEYSEY RESPONDS.

AN UNOFFICIAL "DEADLINE" OF MONDAY, MARCH 8, WAS REPORTED --WITHOUT CONFIRMATION--TO HAVE BEEN SET BY THE AMERICANS FOR VEYSEY TO DO AN ABOUTFACE.

WHAT ACTION THE 10,600 OR SO PANAMANIAN EMPLOYEES OF THE

CANAL MAY TAKE IN THE FACE OF A STRIKE REMAINS TO BE SEEN.  
THEY DO NOT HOLD THE KEY POSITIONS--THOSE ARE MAINLY

OCCUPIED BY AMERICANS, SUPPOSEDLY BECAUSE ADEQUATE  
TRAINED LOCALS ARE NOT AVAILABLE IN SUFFICIENT NUMBERS  
AT THOSE LEVELS.

THEY TOO ARE COVERED BY CIVIL SERVICE AND NONE OF THEM--  
EVEN THE SIMPLEST LABORER--EARNS LESS THAN \$2.20 AN HOUR,  
ABOUT FOUR TIMES THE PANAMANIAN RATE, OR \$4,576 A YEAR.  
SOME PANAMANIAN PHYSICIANS ON THE CANAL STAFF EARN UP TO  
\$30,000 A YEAR, ACCORDING TO THE CANAL ZONE INFORMATION  
OFFICE.

COLLECTIVELY, THE PANAMANIAN EMPLOYEES EARN \$80 MILLION A  
YEAR IN WAGES AND BENEFITS, ACCORDING TO CANAL OFFICIALS.  
IF THE WATERWAY COMES UNDER PANAMANIAN JURISDICTION WITH  
PANAMANIAN WAGE LEVELS APPLIED, THEY COULD EXPECT TO TAKE  
A COLLECTIVE PAY REDUCTION OF ABOUT \$50 MILLION A YEAR,  
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ACCORDING TO ACCOUNTANTS HERE.

THE CANAL'S CURRENT FINANCIAL PROBLEMS COME BASICALLY  
FROM THE DROP IN THE NUMBER OF SHIPS TRANSITING THE WATER-  
WAY PLUS THE EVER-INCREASING OPERATING AND WAGE COSTS.

THE CANAL NEEDS TO HANDLE 39 TO 40 SHIPS DAILY JUST TO  
BREAK EVEN, OFFICIALS SAID. EACH VESSEL CROSSING THE  
ISTHMUS PAYS AN AVERAGE OF \$10,000 NOW, BUT THE PANAMA  
CANAL CO. HOPES TO GET APPROVAL FOR A TOLL INCREASE.

"WE NEED TO TAKE IN \$410,000 A DAY TO COVER COSTS,"  
EXPLAINED FRANK BALDWIN, CANAL INFORMATION OFFICER.

"BUT AS OF LAST WEEK WE WERE AVERAGING ONLY \$361,000  
A DAY. THIS MEANS WE ARE RUNNING IN THE RED TO ABOUT  
\$50,000 A DAY."

THE REOPENING OF SUEZ AND THE WORLD RECESSION ARE THE KEY  
FACTORS IN THE DOWNTURN IN SHIP TRANSIT, ACCORDING TO  
DONALD G. SCHMIDT (NO RELATIONS TO DOUGLAS), THE CANAL'S  
ECONOMIST.

DESPITE THE PRESENT SQUEEZE SCHMIDT EXPECTS AN UPTURN IN  
TRAFFIC BY 1977 AND PROBABLY A RETURN TO HIGH TRAFFIC FLOW  
BY 1979.

BUT A LOT OF ZONIANS ARE AFRAID THEY MAY NOT BE HERE BY  
THEN. END TEXT. KISSINGER

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